



STATE OF CONNECTICUT
OFFICE OF POLICY AND MANAGEMENT

Date: September 5, 2014
To: Agency Heads
From: Benjamin Barnes, Secretary
Subject: Budget Adjustments (Policy Options) for FY 2016 and FY 2017 Biennium

Since taking office, the Governor has initiated significant changes in order to improve state services and better serve the residents of this state. We've made significant strides in making government leaner, cheaper, and more effective, while at the same time improving service delivery. We've advanced the Governor's priorities for the state: Growing the economy and jobs, continuing to improve education outcomes, and making government cheaper, more effective and more transparent. And we've done all this while limiting expenditure growth to levels that are lower than recent preceding administrations.

The budget for FY 2016 and FY 2017 must continue to build upon these efforts. While the state's economy has steadily improved since 2011, our challenge will be to continue to make strides while aligning expenditure growth with anticipated revenues. The legislature's Office of Fiscal Analysis projects that FY 2016 current services expenditure levels will exceed the consensus revenue estimate by more than \$1.3 billion. Accordingly, agencies must identify realistic ways to significantly constrain and reduce expenditures well below current services levels, while at the same time continuing to deliver the highest quality services to the residents of this state.

The people of Connecticut expect all of us to put forth our very best ideas for streamlining and improving services and operations, prioritizing programs and reducing expenditures. The guidance below supplements the guidance provided on August 6th and provides guidelines for preparing policy adjustments (budget options) to your agency's FY 2016 and FY 2017 current services request. This guidance memo and software instructions are available at the following link:

<http://www.ct.gov/opm/cwp/view.asp?a=2961&Q=508552&PM=1>.

As always, budget options requiring legislative action are acceptable, and agencies should be prepared to identify relevant statutory changes that would support reduction proposals.

Budget Options – Due October 10, 2014

Budget options represent the fiscal outcome of policy changes to the requested budget for the upcoming biennium. All agencies are required to submit reduction options, as

per the guidance below. For a limited number of agencies, an intensive and interactive process of developing budget options may take place. Agencies invited to take part in this process will be notified directly; these agencies must submit options in accordance with the instructions below and will also have an opportunity to engage in more detailed discussions about potential policy changes.

Reduction Options

Agencies are required to submit realistic and achievable reduction options that will result in reductions to the agency's current services request. Because of the need to reduce expenditures below current services levels in order to remain in balance, and to ensure we remain within the limits of the spending cap, which governs all appropriated funds, this guidance applies to all agencies, including those that are industry-funded. Agencies should focus on directing resources to only the most essential programs, and should propose eliminating, scaling back, or finding significant efficiencies in all less critical areas. I strongly encourage you to be creative in considering alternative service delivery models, updates to your practices and procedures, cross-agency collaborations, and other new ways to do business. As noted in previous years, the Governor has directed that we all drive change and improvement in our agencies, and the budget process is one of the primary mechanisms for advancing these efforts.

Agencies should also give thought to any potential mergers and program consolidations that might merit consideration. If you identify potential savings that may be applicable across state government, I ask that you contact me, Deputy Secretary Karen Buffkin, or Executive Budget Officer Paul Potamianos so that the appropriate budget analyst can be assigned to follow up as necessary.

Reallocation Options

Reallocation options provide an opportunity for an agency to propose shifting resources between appropriations and programs in order to address higher priority needs, as well as to realign funding to accounts that better support particular program activities. These options are "zero-based" in nature. An agency that has identified a need to consolidate or shift resources between programs or accounts should submit a reallocation option. Reallocations to offset the potential loss of revenue or federal funds should be clearly identified in your submission.

Revenue Options

Agencies may submit revenue options where the cost/benefit is clearly advantageous to the state. Any request for appropriations or positions necessary to secure additional revenue should be made sparingly, recognizing the need to constrain expenditure growth and the general economic conditions; to the extent possible, revenue options should be proposed within available resources. If state expenditures are required in

order to receive increased revenue, your submission should provide detailed cost projections in addition to revenue estimates.

All reduction, reallocation and revenue options must be submitted to OPM by October 10, 2014.

Expansion Options

Given the need to reduce current services to live within available resources in FY 2016 and FY 2017, agency expansion requests will be very difficult to accommodate. Nevertheless, there may be issues that deserve consideration, even if funding cannot be provided. If you have identified new needs that must be met, it is expected that you will seek to reallocate funds within current resources. However, agencies are encouraged to identify those programs that should see increased funding because they provide the best opportunity to enhance economic growth. Finding the savings to support these investments will be difficult, but it is possible with offsetting budget reductions or through the elimination of low-priority and less effective programs and the consolidation of duplicative ones; through improving program efficiency by driving down operational and administrative costs; and by supporting fundamental program reforms that generate the best outcomes per dollar spent.

Please submit an outline of any proposed economic growth proposals along with the estimated resources being requested no later than October 24, with copies to the Executive Budget Officer and your budget analyst. Consideration will be limited to areas identified by this office in discussions with the Governor regarding his policy initiatives. We expect to notify you in November if the Governor wants a formal expansion proposal submitted for his review; instructions regarding submission of expansion options, if any, will be provided at that time. Note that expansion options requiring a capital outlay should be accompanied by a companion capital budget option request. As in the past, no expansion options involving either the operating or capital budgets, including the pickup of federal funds, should be submitted unless prior approval of the concept has been provided by the Secretary or Deputy Secretary of OPM. In no case will expansion concepts be considered if the agency has not submitted responsive reduction option proposals by the required due date.

Guidance and Assistance

For technical questions related to the budget option software, please contact Scott McWilliams at scott.mcwilliams@ct.gov. For questions regarding budget or policy issues, please contact your assigned OPM budget analyst.

Submission

Agencies are to submit their reduction, reallocation and revenue option proposals to OPM's Budget and Financial Management Division not later than October 10, 2014. The submittal should include one original and two additional hard copies of the Agency Summary and each of the individual FY 2016 and/or FY 2017 Requested Options (including backup documentation and proposed legislation). Additionally, agencies are to provide a complete copy of their submission to the legislature's Office of Fiscal Analysis.

As always, the Governor and I thank you for your support and look forward to working with you to ensure that the citizens of the state continue to receive necessary services at the best possible cost.

c: Governor Malloy
Lieutenant Governor Wyman
Agency Fiscal Officers
Alan Calandro, Office of Fiscal Analysis